

## Message Text

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EO 11652 NA

TAGS: BEXP EIND VE

SUBJ: STATUS OF JOHN DEERE PROPOSAL FOR TRACTOR

FACTORY IN VENEZUELA

1. SUMMARY: JOHN DEERE PROPOSAL FOR ESTABLISHING TRACTOR FACTORY BEST PROSPECT OF ACCEPTANCE BY GOV OFFICIALS IN SMALL FIELD OF CONTENDERS. DEERE OFFICIALS HAVE BEEN TOLD THAT OFFICIAL ANNOUNCEMENT OF ACCEPTANCE OF THEIR PROPOSAL CAN BE EXPECTED IN THE NEAR FUTURE. END SUMMARY.

2. THE GUAYANA DEVELOPMENT CORPORATION HAS SELECTED CIUDAD BOLIVAR AS A SITE FOR A TRACTOR FACTORY. THERE HAVE BEEN SEVERAL EXPRESSIONS OF INTEREST BY FOREIGN FIRMS IN ESTABLISHING A TRACTOR FACTORY, AND THESE INCLUDE JOHN DEERE, DEUTZ OF GERMANY, AND FIAT OF ITALY.

3. THE DEERE PROPOSAL IS FOR A 25PERCENT DEERE EQUITY WITH THE GUAYANA DEVELOPMENT CORPORATION (CVG) OWNING 40PERCENT AND THE REMAINDER IN PRIVATE VENEZUELAN HANDS. THE PROPOSAL INCLUDES THE CONSTRUCTION OF FOUR DIFFERENT TYPES OF TRACTORS RANGING IN HORSEPOWER FROM 67 TO 112, A 62 HORSEPOWER INDUSTIRAL LOADER, AND 3, 4, AND 6 CYLINDER DIESEL ENGINES.

4. THE TOTAL INITIAL INVESTMENT WOULD BE ON THE ORDER OF \$15 MILLION WITH ADDITIONAL INVESTMENT INVISAGED AS LOCAL CONTENT INCREASES FROM A PROJECTED 20PERCENT DURING THE FIRST YEAR TO A MAXIMUM OF 55PERCENT IN LATER YEARS. CAPACITY  
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OF THE PROPOSED PLANT WOULD BE 8,000 TRACTORS AND 10,000

DIESEL ENGINES. EMPLOYMENT IN THE FINAL PHASE OF DEVELOPMENT WOULD BE APPROXIMATELY 700 PERSONS.

5. THE GERMAN FIRM, DEUTZ, IS RUMORED TO HAVE EXERTED EXTREME PRESSURE ON SOME GOV OFFICIALS TO EITHER SELECT DEUTZ AS THE COMPANY TO UNDERTAKE A TRACTOR FACTORY, OR TO PERMIT TWO TRACTOR FACTORIES. THE LOCAL JOHN DEERE REPRESENTATIVES FEEL THAT THE ECONOMIC SCALES ARE SUCH THAT IF TWO TRACTOR FACTORIES ARE PERMITTED, NEITHER WOULD HAVE ANY POTENTIAL FOR MAKING A PROFIT. SHOULD THE GOV PERMIT TWO FACTORIES, DEERE INTENDS TO WITHDRAW THEIR PROPOSAL.

6. AN INTEGRAL PART OF THE DEERE PROPOSAL WOULD BE THE CONSTRUCTION OF A 50,000 TON PER YEAR GREY IRON CASTING PLANT AND FOUNDRY FROM WHICH DEERE WOULD PURCHASE 50 PERCENT OF THE ANNUAL PRODUCTION FOR EXPORT FROM VENEZUELA. THIS HAS SOME SPECIAL APPEAL TO THE VENEZUELAN, AND IS NOT MATCHED BY THE DEUTZ PROPOSAL.

7. COMMENT: DESPITE CONTINUED ASSURANCES UNOFFICIALLY FROM OFFICIALS OF CVG THAT DEERE WILL BE SELECTED TO DO THIS PROJECT, AND THAT ANNOUNCEMENTS OF THIS DECISION WILL BE FORTHCOMING IN THE VERY NEAR FUTURE, NO OFFICIAL DECISION HAS BEEN MADE PUBLIC.  
SHLAUDEMAN

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